**Fiscal Facts: A Fiscal Paradox for Wisconsin Schools: State Austerity, Federal Largesse**

Tight constraints on state and local revenue paired with an unprecedented stream of federal aid have created a fiscal paradox for Wisconsin’s two largest school districts -- bolstering their near-term finances while leaving the future deeply uncertain.

Since 2013, the Wisconsin Policy Forum has produced an annual report on the superintendent’s proposed budget for Milwaukee Public Schools (MPS). We began doing the same for the Madison Metropolitan School District (MMSD) in 2020.

The current state budget largely freezes most state and local revenues for districts for both years of the budget cycle that runs through June 2023. Accelerated school enrollment declines, rising inflation, and exacerbated student needs from the pandemic have heightened budgetary pressures.

Yet at the same time, federal aid totaling nearly $2.4 billion is flowing to Wisconsin schools, including $797 million for MPS and $71 million for MMSD. Most districts are using the funds to address harmful effects from the pandemic, along with other longstanding needs.

The historic levels of federal pandemic aid offer a massive boost for MPS and MMSD in the near term. They could help fund much-needed onetime expenses, such as capital costs, or help students recover from COVID-19 impacts. But in the long term, a combination of factors may put both districts’ finances on a troubling trajectory.

Declining enrollment is a concern for both districts. After a decline in 2020, MMSD projected it would regain students in 2021. Instead, it saw a sizable decline for the second straight year.

Meanwhile, MPS enrollment was declining pre-pandemic; that trend accelerated during it.

By 2025 and beyond, it is doubtful the two districts can continue to meet rising student needs, increase staff compensation to match inflation, fill key positions, and balance their budgets without some additional steps, many of which lie outside the control of school leaders.

Long-term fiscal concerns are particularly acute for MPS, even in spite of the passage of a district operating referendum in 2020. A five-year fiscal forecast shows a growing structural budget gap for the district that increases to $163.2 million annually by 2027.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*